



MEMORANDUM

TO: Health Care Commission
Duane Goossen, Chair
Connie Hafenstine
Sandy Praeger
Nancy Ruoff
John Staton

FROM: Doug Farmer

DATE: March 23, 2009

SUBJECT: Medical Plan Design

I met with the Employee Advisory Committee (EAC) and presented to them the current financial outlook of the plan. We discussed the need to make some plan design and/or rate changes to maintain the financial stability of the program. The EAC discussed the options and stated that they would prefer a combination of increased rates for all members to share and plan changes that would affect those who use the plan. Based upon our discussion, the EAC recommended the following plan design changes to Plan A:

Option 1

Percentage Reduction in Plan Expenses	Benefit Changes to Plan A	Dollar Impact of Each Change
0.64%	Increase the Plan Year 2010 deductible to \$100 single/\$200 family	\$50/\$100
0.56%	Increase the Plan Year 2011 deductible to \$150 single/\$300 family	\$50/\$100
0.07%	Increase the Plan Year 2010 coinsurance maximum to \$1,200 single /\$2,400 family	\$100/\$200
0.22%	Increase the Plan Year 2010 PCP office visit copay to \$25	\$5 each
0.17%	Increase the Plan Year 2010 Specialist office visit copay to \$50	\$10 each
0.20%	Increase the Plan Year 2010 ER visit copay to \$150	\$50 each

Option 1 plan design changes are expected to save the State \$5.5 million in plan year 2010. The savings from the 2011 deductible increase is not included in the expected savings.

Staff has also developed another plan option for consideration that would require fewer plan changes to obtain the plan savings. This second option is as follows:

Option 2

Percentage Reduction in Plan Expenses	Benefit Changes to Plan A	Dollar Impact of Each Change
1.12%	Increase the Plan Year 2010 deductible to \$150 single/\$300 family	\$100/\$200
0.07%	Increase the Plan Year 2010 coinsurance maximum to \$1,200 single/\$2,400 family	\$100/\$200
0.20%	Increase the Plan Year 2010 ER visit copay to \$150	\$50 each

Option 2 plan design changes are expected to save the State \$6.2 million in Plan Year 2010.

In addition to these plan design changes to Plan A, the mental health and substance abuse provision will be modified to comply with the federal parity requirements. The ten (10) year fund projection presented to the Health Care Commission last year during the discussion of the plan year 2009 rates and designs included the assumption that the coinsurance maximum for Plan A would increase by \$100 for single and \$200 for family each of the next five (5) years. The projections also included a continual three (3) percent annual migration from Plan A to Plan B. Plans B and C both contain higher maximums than the proposed coinsurance maximum under Plan A, so no changes in plan structure are proposed for Plans B and C at this time other than the changes required to bring the plan into compliance with the federal mental health and substance abuse parity requirements.

Recommendation:

Staff recommends that the HCC adopt the plan design changes outlined in Option 2 along with the necessary rate adjustments to maintain the financial stability of the plan.